

HOSPITAL BEDS STANDARD ADVISORY COMMITTEE (HBSAC) MEETING

Tuesday, June 22, 2004

Lake Ontario Room
Michigan Library & Historical Center
702 W. Kalamazoo Street
Lansing, Michigan

APPROVED MINUTES

I. Call to Order.

Chairperson Dale Steiger called the meeting to order at 10:05 a.m.

a. Members Present and Organizations Represented:

Dale L. Steiger, Blue Cross Blue Shield of Michigan, Chairperson
Robert Asmussen, Ascension Health/St. John Health System
James F. Ball, Michigan Manufacturers Association
John D. Crissman, MD, Wayne State University, School of Medicine
(left at 12:25 p.m.)
Eric Fischer, The Detroit Medical Center
Maureen A. Halligan, Genesys Health System
Denise Holmes, Michigan State University, College of Human Medicine
(arrived at 10:20 a.m.)
Robert Meeker, Alliance for Health
Sande MacLeod, UFCW 951
Patrick G. O'Donovan, Beaumont Hospitals
Elizabeth C. Palazzolo, Henry Ford Health System (Alternate)
Carol Parker Lee, Michigan Primary Care Association (left at 11:45 a.m.)
Anne Rosewarne, Michigan Health Council
Thomas Smith, Economic Alliance for Michigan
Robert M. Snyder, Bronson Healthcare Group (Alternate)
Kenneth G. Trester, Oakwood Healthcare, Inc.

b. Members Absent and Organizations Represented:

Greg S. Dobis, McLaren Health Care
James B. Falahee, Jr., Bronson Healthcare Group
Stephen Fitton, Michigan Department of Community Health
Vinod K. Sahney, Henry Ford Health System

c. Staff Present:

William Hart (arrived at 10:15 a.m.)
Jan Christensen
Larry Horvath
Joette Laseur
Andrea Moore
Stan Nash
Brenda Rogers

d. General Public in Attendance:

There were approximately 20 people in attendance.

II. Declarations of Conflicts of Interest.

Ms. Rogers provided an overview of Conflicts of Interest and how the Committee would handle any conflicts. None were noted.

III. Review of Agenda.

Chairperson Steiger asked that items A and B for section VI be switched. Motion by Mr. Fischer, seconded by Mr. Meeker, to accept the agenda as revised. Motion Carried.

IV. Review of Draft Minutes of May 25, 2004.

The minutes were corrected under section V to read "Chairperson Steiger", not "Chairperson Ball". Motion by Mr. Meeker, seconded by Ms. McLeod, to accept the minutes as revised. Motion Carried.

V. Overview of Revised Acute Care Bed Need Methodology.

Mr. Meeker presented the Committee an overview of the Bed Need Methodology and answered questions.

Ms. Peg Reimher, Botsford General Hospital, addressed the Committee.

VI. Section 22215(2), PA368 of 1978, as amended: Appropriate access to Health Care.

a. "Drive Time" concept. (Appendix A)

Mr. Meeker provided the group with a proposed access based methodology approach and an example of how to determine the New Hospital Service Area (NHSA). Discussion followed regarding the GAP, decision rules and "travel" time factors.

Ms. Halligan suggested checking with other states for “drive time” standards.

b. Assistance from MSU Department of Geography.

Mr. Hart gave an overview of their meeting with MSU. Discussion followed as to the Committee’s data needs and the formation of a Hospital Bed Workgroup to handle the issue of licensing.

Professor Groop, MSU, Department of Geography, addressed the Committee.

Motion by Mr. Meeker to request that the Department develop a formal relationship with MSU Department of Geography to begin providing information/data requirements that this Committee needs. Seconded by Parker Lee. Motion Carried.

Discussion continued regarding the proposed access-based methodology.

Mr. Lody Zwarensteijn, Alliance for Health, addressed the Committee.

Motion by Mr. Meeker to form a workgroup to look at the issues of critical mass: percent of patients using new hospital, percent of new hospital patients from outside the NHSA, planning occupancy and minimum hospital size. Seconded by Mr. Asmussen. Motion Carried.

Mr. Meeker will head the Geography/Decisions workgroup with 3 or 4 other members.

Lunch break from 12:25 p.m. until 1:10 p.m.

Motion by Chairperson Ball to form a Hospital Bed Inventory Workgroup to look at the issue of licensing with Mr. Asmussen, Mr. Ball and Bob Zorn, Michigan Hospital Association, to be the members. Seconded by Ms. Halligan. Motion Passed.

Mr. Horvath suggested rural representation on this workgroup.

VII. Section 2215(1), PA368 of 1978, as amended.

a. Results of “high occupancy” pilot. (Appendix B)

Mr. Horvath provided a preliminary report on the number of applications received and the Departments action on each file. Discussion followed.

b. Description of Proposed Addendum for Special Bed Allocations. (Appendix C)

Mr. Christensen gave an over of the proposed Addendum drafted by the Department. Discussion followed.

VIII. Formulation of Work Plan.

- a. Upcoming Meetings: July 1st, July 20th, August 10th. The Department will book a meeting room for a September 1st meeting and survey members for a possible meeting the week of July 13th.
- b. Invite Henry Ford, St. John Health System, Pontiac Osteopathic Hospital and Unity Health, LLC to present an overview of their bed need issues at the July 1st meeting.
- c. Issues for next meetings agenda: "High Occupancy" Hospital, Relocation of Hospital Beds and work groups updates.

IX. Public Comment.

None received.

X. Adjournment.

Motion by Mr. Ball, seconded by Mr. Asmussen, to adjourn the meeting at 2:00 p.m.
Motion Carried.

POSSIBLE SUPPLEMENTAL APPROACH
TO BED NEED DETERMINATION
IN MICHIGAN

DRAFT

The current CON Review Standards for Hospital Beds may not adequately insure that all of the state has appropriate geographic access to hospital services. In order to determine what, if any, areas of the state which may need better access to hospital beds, a “supplemental approach” to hospital bed need may be warranted.

An Access-based Methodology to Determine the Need for New Hospitals

Purpose: Identify “pockets” of Michigan’s population, which have inadequate access to basic hospital services (measured by drive time), and which represent a minimum critical mass of demand for inpatient acute care.

1. Adequate Access to basic Hospital services

- a Rationale:
- b Needed data:
 - i) average driving time between all zip codes in the state
 - ii) current & projected population distribution (by age/sex cohorts) within zip code areas
- c Decision rules:
 - i) what is a rational, maximum acceptable average drive time to a hospital?
 - ii) what percentage of a zip code population should be within the maximum acceptable drive time from existing hospitals?
 - iii) what are basic hospital services?

2. Minimum critical mass of demand for inpatient acute care

- a Rationale:
- b Needed data: Current/projected hospital utilization (patient days) by zip code
- c Decision rules:
 - i) what percentage of existing patients should be expected to use a potential new hospital (market share)?
 - ii) what percentage of patients using the potential new hospital should be expected to come from within that hospital’s service area?
 - iii) what planning occupancy should be used for the potential new hospital?
 - iv) what should be the minimum size of a potential new hospital?

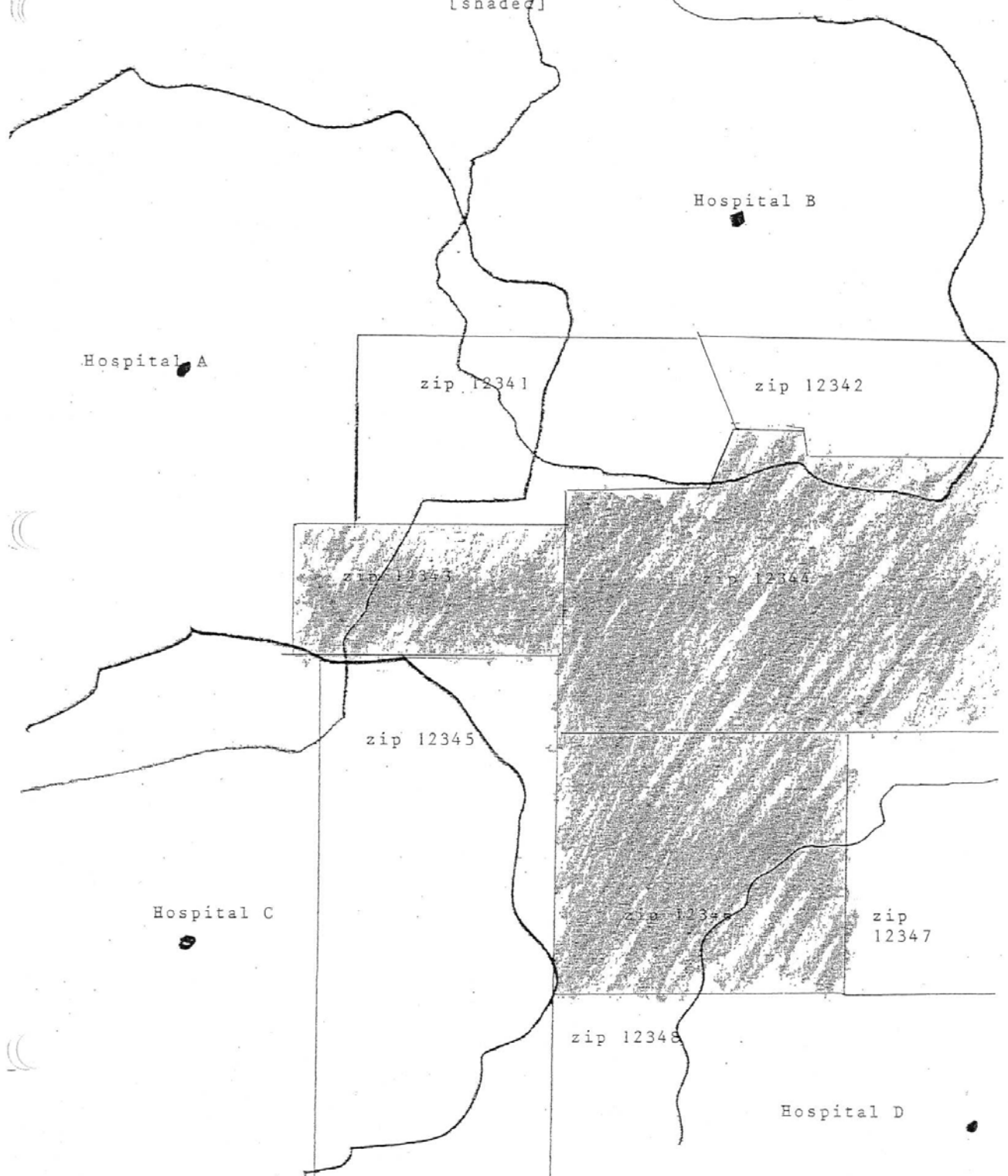
Steps of an Access-based Methodology to Determine the Need for a New Hospital

1. Identify the areas *within* the maximum driving time from each existing hospital in the state (called hospital drive time areas, HDTA)
2. Identify zip code areas *outside* the HDTAs
3. For zip code areas partially outside HDTAs, determine percentage of zip population outside of the HDTAs and apply decision criteria
4. Combine contiguous zip code areas identified into new hospital service areas (NHSA)
5. Calculate bed need for each NHSA using existing/projected hospital utilization and occupancy criteria
6. Apply market share and in-migration assumptions to determine possible bed size of potential new hospital(s)
7. Compare result to minimum hospital size criterion
8. In areas showing need for new hospital(s), conduct comparative reviews

Next Steps

Identify data bases and data projects to be undertaken. Identify specific topics to be researched to inform responses to decision rule questions.

EXAMPLE OF DETERMINING POTENTIAL NEW HOSPITAL
SERVICE AREA (NHSA)
[shaded]



Certificate of Need Review Standards for Hospital Beds Section 6(4) Pilot Program Preliminary Report

Objective: The Department shall report to the CON Commission the number of applications received and approved, the total capital expenditures approved, and the projected cost savings to be realized, if any.

Summary

Applications Received: 2

<u>CON No./Applicant/Request</u>	<u>CON No./Applicant/Request</u>
03-0252	03-0253
William Beaumont Hospital-Royal Oak ¹	William Beaumont Hospital-Troy ²
94 beds	28 beds

Notes:

1. Upon completion, William Beaumont Hospital-Royal Oak will have 1,031 licensed acute care hospital beds. According to the applicant, the project will require 480 new FTEs (7,422 current FTEs).
2. Upon completion, William Beaumont Hospital-Troy will have 254 licensed acute care hospital beds. According to the applicant, the project will require 45 new FTEs (1,844 current FTEs).

Applications Approved: 2

<u>CON No./Approval Date</u>	<u>CON No./Approval Date</u>
03-0252	03-0253
12/22/2003	02/06/2004

Total Capital Expenditures Approved: \$2,997,400 or \$24,568 per bed

<u>CON No./Capital Expenditure Approved</u>	<u>CON No./Capital Expenditure Approved</u>
03-0252	03-0253
\$2,885,400	\$112,000

Note: Proposed project cost may include other renovations.

Projected Cost Savings: TBD

<u>CON No./Projected Cost Savings</u>	<u>CON No./Projected Cost Savings</u>
03-0252	03-0253
TBD	TBD

Average Occupancy Rates Notes:

- William Beaumont Hospital-Royal Oak (937 licensed hospital beds) operated at an average occupancy of 88.0% between July 2002 through June 2003, the 12 most recent months during the application review period.
- William Beaumont Hospital-Troy (226 licensed hospital beds) operated at an average occupancy of 84.0% between December 2002 through November 2003, the 12 most recent months during the application review period.

CON Review Standards for Hospital Beds

Section 6. Requirements for approval -- new beds in a hospital

(4) As a pilot program, an applicant may apply for the addition of new beds if all of the following subsections are met. Further, an applicant proposing new beds at an existing licensed hospital site shall not be required to be in compliance with the needed hospital bed supply set forth in Appendix C if the application meets all other applicable CON review standards and agrees and assures to comply with all applicable project delivery requirements.

(a) The beds are being added at the existing licensed hospital site.

(b) The hospital at the existing licensed hospital site has operated as follows for the previous, consecutive 12 months based on its existing licensed hospital bed capacity as documented on the most recent reports of the "Annual Hospital Statistical Questionnaire" or more current verifiable data:

Number of Licensed Hospital Beds	Average Occupancy
Fewer than 300	80% and above
300 or more	85% and above

(c) The number of beds that may be approved pursuant to this subsection shall be the number of beds necessary to reduce the occupancy rate for the hospital to 80 percent for hospitals with licensed beds of 300 or more and to 75 percent for hospitals with licensed beds of fewer than 300. The number of beds shall be calculated as follows:

(i) Divide the actual number of patient days of care provided during the most recent, consecutive 12-month period for which verifiable data are available to the department by .80 for hospitals with licensed beds of 300 or more and by .75 for hospitals with licensed beds of fewer than 300 to determine licensed bed days at 80 percent occupancy or 75 percent occupancy as applicable;

(ii) Divide the result of step (i) by 365 (or 366 for leap years) and round the result up to the next whole number;

(iii) Subtract the number of licensed beds as documented on the "Department Inventory of Beds" from the result of step (ii) and round the result up to the next whole number to determine the maximum number of beds that may be approved pursuant to this subsection.

(d) The provisions of Section 6(4) are part of a pilot program approved by the CON Commission and shall expire and be of no further force and effect, and shall not be applicable to any application which has not been deemed complete in accordance with Rule 325.9201 prior to November 30, 2003. The Department shall report to the CON Commission within 180 days following the expiration of Section 6(4) on the number of applications received and approved, the total capital expenditures approved, and the projected cost savings to be realized, if any.

(e) Applicants proposing to add new hospital beds under this subsection shall not be subject to comparative review.

D r a f t

MICHIGAN DEPARTMENT OF COMMUNITY HEALTH

CON REVIEW STANDARDS

Addendum For Hospital Beds and Related CON Standards

-- SPECIAL BED ALLOCATION --

(By authority conferred on the CON Commission by Section 22215 of Act No. 368 of the Public Acts of 1978, as amended, and sections 7 and 8 of Act No. 306 of the Public Acts of 1969, as amended, being sections 333.22215, 24.207 and 24.208 of the Michigan Compiled Laws.)

Sec. 1. To address the critical problems of a 35% increase in the Medicaid caseload within the last four years, the closure of significant numbers of community hospitals within urban areas, and to promote the continued viability of large, urban hospitals that are experiencing unsustainable increases in uncompensated care and adverse payer mix, this addendum supplements the CON Review Standards for Hospital Beds.

Sec. 2. Notwithstanding any provisions within the Hospital Bed and related CON Review Standards to the contrary, the Department may create a one time available allotment of hospital beds equal to 2.5% of the state total licensed hospital bed inventory as of 1/1/2004. The Department may accept and approve CON applications from hospitals or health care systems owning a hospital in a Combined Metropolitan Statistical Area to move existing licensed beds to create or expand a licensed hospital subject to the following conditions:

- A. The applicant must be a hospital or a health system owning a hospital in a Combined Metropolitan Statistical Area.
- B. An application for beds from the allotment may not exceed 300 beds.
- C. Beds from the allotment may only be used to create or expand a hospital within the applicant's health service area.
- D. The Department can approve only one application for beds from the allotment from either an applicant hospital and its affiliated health system or from an applicant health system.
- E. The application does not propose to increase the total number of licensed beds for its hospital or health system, or move more than 35% of its licensed beds from any individual hospital.
- F. The Department may approve applications to move hospital beds under the allotment based on the following criteria which shall be weighted equally:
 - a. The total number of Medicaid eligibles in the metropolitan county served by the applicant's largest hospital within the applicant's HSA, with a larger number scoring higher.
 - b. The total number of Medicaid eligibles in the city served by the applicant's largest hospital within the applicant's HSA, with the larger number scoring higher,
 - c. The percentage of Medicaid covered individuals compared with Medicare and other insured individuals served by the applicant hospital and its affiliated health

system's other hospitals within the HSA, if any, or the applicant health system's hospitals within the HSA with a larger percentage scoring higher.

- d. The amount of direct governmental subsidy allocated to the applicant hospital and its affiliated health system's other hospitals if any, or the applicant health system's hospitals within the HSA over the last three years, with a lower amount scoring higher.
- e. The amount of Disproportionate Share Payments received by the applicant hospital and its affiliated health system's other hospitals within the HSA, if any, or the applicant health system's hospitals within the HSA, with a lower amount scoring higher.
- f. The amount of capital costs per bed moved as documented within the application with a lower cost scoring higher.
- g. The extent of the anticipated financial benefit to the applicant hospital or health system's financial viability within the HSA, with the greater benefit scoring higher.
- h. The applicant hospital or applicant health system's documented direct involvement and support with Federally Qualified Health Centers and other community primary care clinics over the last three years; absence of documented involvement will not be scored under this criteria
- i. The extent of hospital closures over the last 5 years within the metropolitan county served by the applicant's largest hospital, with a greater number scoring higher.

Sec. 3. Notwithstanding any provisions within the Hospital Bed and related CON Review Standards to the contrary, the Department may create a one time available allotment of 200 hospital beds in any city with a population of 750,000 or more. The Department may accept and approve CON applications for the movement of up to a total of 200 active licensed beds from any hospital(s) within the city to re-establish a community hospital at a previously licensed hospital site within that city. The Department may approve applications to move hospital beds under this section based on the following criteria:

- A. The movement does not result in an increase of the total number of active licensed bed within the city.
- B. The applicant has proposed and documented direct involvement and support with Federally Qualified Health Centers and other community primary care clinics. Absence of documented involvement will not be scored under this criteria
- C. The application includes provisions for an Emergency Department.
- D. The applicant's proposed capital costs per bed for re-establishing the community hospital will be less than the cost of new construction.
- E. If there is more than one application preference shall be given on a priority basis to those applications whose proposed payer mix includes the highest percentage of Medicaid eligible individuals.

Sec. 4 Within 30 days of the effective date of this Addendum, the Department shall establish a application submission period(s) for accepting applications under this Standard and shall provide at least 30 days advance public notice of the application submission period(s).

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